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FEDERAL MARITIME
COMMISSION
OFFICE OF THE SECRETARY

BALI HAI SERVICE

Agreement No. _____

JOINT SERVICE/CONSORTIUM AGREEMENT

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Article 1 - NAME OF AGREEMENT

Bali Hai Service

Article 2 - DEFINITIONS

The following terms are used herein with the following definitions:

"Act" shall mean the Shipping Act of 1984 as amended and in effect on the date hereof.

"Charter" and "Charters" shall have the meanings set forth in Article 11 hereof.

"CNCO" shall have the meaning set forth in Article 4 hereof.

"Commission" shall mean the Federal Maritime Commission.

"Contribution to Charter Hire" shall have the meaning set forth in Article 13 hereof.

"Defaulting Party" shall have the meaning set forth in Article 13 hereof.

"General Manager" shall have the meaning set forth in Article 7 hereof.

"Joint Service" shall have the meaning set forth in Article 3 hereof.

"LIBOR" shall mean the average of Interbank offered rates for three month dollar deposits in the London market as published in the Asian edition of The Wall Street Journal and shall in respect of any day or days for which no such rate is published mean the last such published rate.

"Management Committee" shall have the meaning set forth in Article 7 hereof.

"MOSK" shall have the meaning set forth in Article 4 hereof.

"NYK" shall have the meaning set forth in Article 4 hereof.

"Trading Area" shall have the meaning set forth in Article 5 hereof.

"Vessel" and "Vessels" shall have the meanings set forth in Article 11 hereof.

Article 3 - PURPOSE OF AGREEMENT

To establish and maintain a joint cargo service ("Joint Service") in the areas and subject to the conditions described herein.

Article 4 - PARTIES TO THE AGREEMENT

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<u>Name</u>	<u>Principal Office Address</u>	<u>Nationality (Domicile)</u>
Mitsui O.S.K. Lines, Ltd. (" <u>MOSK</u> ")	1-1 Toranomon 2-Chome, Minato-Ku, Tokyo 105-91, P.O. Box 5, Shiba 5, Tokyo, Japan	Japan
Nippon Yusen Kaisha/ NYK (" <u>NYK</u> ")	Yusen Building, 3-2, Marunouchi, 2-Chome Chiyoda-Ku, Tokyo 100-91, C.P.O. Box 1250, Tokyo, Japan	Japan
The China Navigation Company Limited (" <u>CNCO</u> ")	7th Floor, Swire House 9 Connaught Road, Central, G.P.O. Box 1, Hong Kong	United Kingdom

Article 5 - GEOGRAPHIC SCOPE

The Joint Service shall operate in trade (i) between ports in the Japan/Korea range and the port of Pago Pago, American Samoa and (ii) between the port of Pago Pago, American Samoa and Suva, Lautoka, Apia, Papeete, Rarotonga, Nukualofa, Noumea, Villa, Santo, Honiara, Tarawa and other South Pacific ports upon inducement (hereinafter the "Trading Area"). Service may be offered in the Trading Area to and from inland geographic areas of origin and destinations in Japan, Korea and other places within the Trading Area as well as port to port. Exact points of origin and destination within the Trading Area are or will be specified in the Bali Hai Service tariff filed or to be filed with the Commission by the General Manager on behalf of the Joint Service as the same may be amended from time to time. It is the understanding of the

"Vessel" and "Vessels" shall have the meanings set forth in Article 11 hereof.

Article 3 - PURPOSE OF AGREEMENT

To establish and maintain a joint cargo service ("Joint Service") in the areas and subject to the conditions described herein.

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Nippon Yusen Kaisha/ NYK (" <u>NYK</u> ")	Yusen Building, 3-2, Marunouchi, 2-Chome Chiyoda-Ku, Tokyo 100-91, C.P.O. Box 1250, Tokyo, Japan	Japan
The China Navigation Company Limited (" <u>CNCO</u> ")	7th Floor, Swire House 9 Connaught Road, Central, G.P.O. Box 1, Hong Kong	United Kingdom

Article 5 - GEOGRAPHIC SCOPE

The Joint Service shall operate in trade (i) between ports in the Japan/Korea range and the port of Pago Pago, American Samoa and (ii) between the port of Pago Pago, American Samoa and other ports in the South Pacific determined by the General Manager from time to time (hereinafter the "Trading Area"). Service may be offered in the Trading Area to and from inland geographic areas of origin and destinations in Japan, Korea and other places within the Trading Area as well as port to port. Exact points of origin and destination within the Trading Area are or will be specified in the Bali Hai Service tariff filed or to be filed with the Commission by the General Manager on behalf of the Joint Service as the same may be amended from time to time. It is the understanding of the

parties that the Joint Service Vessels shall be given the preferential right to lift all cargo moving within the Trading Area as far as practicable.

Article 6 - AGREEMENT AUTHORITY

The Joint Service shall act as a single carrier, and shall have authority in its own name (1) to fix transportation rates (including through, intermodal and mini-bridge rates), charges, practices and conditions of service, including the making of service contracts with shippers for the carriage over a fixed time of stated minimum quantities of cargo at stated rates; (2) to publish its own tariffs and issue its own bills of lading; (3) to join any approved conference operating in its service range, and in such case to subscribe to the tariff and regulations of any such conference.

Article 7 - OFFICIALS OF THE AGREEMENT AND DELEGATIONS OF AUTHORITY

The parties shall establish a management committee ("Management Committee") consisting of three persons, one to be appointed by each of MOSK, NYK and CNCO. The Management Committee shall be responsible for the overall supervision of the Joint Service. The Management Committee shall initially appoint John Swire & Sons (Japan) Ltd. as general manager ("General Manager") of the Joint Service. The General Manager may be removed at any time by the Management Committee. The General Manager shall administer the operations of the Joint Service and shall have authority to file or to delegate authority to file agreements or modifications of agreements subject to the Act. The General Manager maintains its operational headquarters at John Swire & Sons (Japan) Ltd., Swire House, 14 Ichibancho, Chiyoda-Ku, Tokyo 102, Japan (C.P.O. Box 703, Tokyo 100-91), Telephone (03) 230-9100, Telex 22248.

Article 8 - MEMBERSHIP, WITHDRAWAL, READMISSION AND EXPULSION

The Joint Service consists of the parties hereto. The Joint Service is authorized to acquire substitute or additional tonnage. Any such substitute or additional tonnage may be incorporated in the Joint Service upon amendment of this Agreement.

Article 9 - VOTING

All decisions of the Management Committee, or of the parties hereto in respect of any matter dealt with

directly by such parties rather than through the Management Committee, shall be by unanimous vote.

Article 10 - DURATION AND TERMINATION OF
THE AGREEMENT

Unless rejected by the Commission under subsection (b) of Section 6 of the Act, this Agreement shall become effective on the later of the 45th day following the filing of the Agreement with the Commission or on the 30th day following publication of the notice of such filing in the Federal Register provided, however, if the Commission requests additional information or documentary material under subsection (d) of Section 6 of the Act, the Agreement shall become effective as provided in subsection (c) (2) of Section 6 of the Act. The Agreement shall remain in effect for an indefinite period unless and until terminated on not less than 12 months prior written notice of cancellation given by any party hereto to the other parties hereto. No notice of cancellation may be given prior to December 31, 1990.

Article 11 - VESSELS

The parties agree that CNCO will contribute the PACIFIC ISLANDER, and that MOSK/NYK will together contribute the SOUTH ISLANDER to the Joint Service (hereinafter together referred to as the "Vessels" and individually as a "Vessel"). It is intended that the Joint Service will provide a sailing every month. It is the parties intention that the Vessels shall call ports in the Trading Area in alternate rotation. Each of the Vessels will be placed by the parties at the disposal of the Joint Service for an indefinite period on slot charter terms on a space available basis providing for the payment for any slots actually used by the Joint Service and requiring 12 months written notice of termination of the slot charter or withdrawal of either Vessel from the Joint Service (each slot charter being herein referred to as a "Charter" and together as the "Charters"). No notice of termination or withdrawal shall be given prior to December 31, 1990. The purpose of the Charters is to regulate the commercial terms under which the Vessels are employed in the Joint Service.

In the event either of the Vessels is withdrawn from the Joint Service because of a total loss, or for any other involuntary reason, then the party or parties whose Vessel is so withdrawn shall be entitled to contribute a substitute vessel provided the other parties have approved such vessel's suitability.

It is understood and agreed that no party to this Agreement may introduce either owned or chartered tonnage into the trades covered by this Agreement or for operation under this Agreement without the Agreement of the other parties.

Article 12 - GENERAL MANAGER; MANAGEMENT COMMITTEE

The parties shall establish and maintain at John Swire & Sons (Japan) Ltd., Swire House, 14 Ichibancho, Chiyoda-Ku, Tokyo 102, Japan (C.P.O. Box 703, Tokyo 100-91) an office from which the operations of the Joint Service will be directed. Day-to-day operations will be under the supervision of the General Manager. The General Manager will report to the Management Committee. The unanimous consent of all members of the Management Committee will be required for all Joint Service transactions.

The Joint Service may enter into contracts for equipment or services required by the Joint Service; provided, however, any equipment or services provided by a party to this Joint Service or any third party shall be with the mutual consent of all parties. All contracts made by the Joint Service shall be entered into by the General Manager on behalf of the Joint Service.

Article 13 - CONTRIBUTIONS AND LOSSES

The General Manager shall calculate amounts payable by the Joint Service under each Charter (hereinafter referred to in respect of each Charter as the "Contribution to Charter Hire"). The Contribution to Charter Hire shall be distributed to each of the Vessels in accordance with the terms of the relevant Charter and shall be considered an expense of the Joint Service to be deducted from the gross revenues of the Joint Service.

Profits and losses of the Joint Service (after payment of all expenses including, without limitation, Contributions to Charter Hire and agency commissions) shall be distributed or borne in the following proportions:

MOSK	-	33 1/3%
NYK	-	33 1/3%
CNCO	-	33 1/3%

If any party shall default in making payments hereunder (the "Defaulting Party"), the other parties shall have the option to make good the shortfall caused by such default and to the extent that any party shall contribute such funds, such party shall be entitled to be indemnified by the Defaulting Party and such indemnity shall include

interest on the relevant amount calculated from date of payment by the other party until payment by the Defaulting Party at the said rate.

The General Manager will identify to the Management Committee working capital requirements in advance of anticipated needs. Working capital agreed to by the Management Committee shall initially be funded in proportion to the parties' share of profits and losses. All working capital funds will bear interest at LIBOR at the relevant time, such interest to be deducted from the gross revenues as a Joint Service expense.

Article 14 - ACCOUNTING

The accounting period of the Joint Service shall be the calendar year. An unaudited account for each calendar year will be presented by the General Manager to the Management Committee on or before March 1 in the following year. The General Manager will cause to be prepared by an independent accountant a final audited account each calendar year before May 1 of the following year which shall be accompanied by the final distribution for the relevant calendar year. Any party may, on serving prior written notice on the General Manager, inspect, review and make copies of any accounts or records relating to the Joint Service and the budget for the current year. Any extra costs incurred by the General Manager by such review or inspection shall be borne by the party undertaking or requiring it.

Article 15 - ASSIGNMENT

No party may assign its rights under this Agreement to any person or entity without the prior written consent of the other parties; provided, however, that any party may assign its interest to its parent or any subsidiary company. In the event of such an assignment, the assigning party shall remain liable to the other parties for all its obligations hereunder and shall ensure that the assignee shall enter into an agreement with the remaining parties along the lines of this Agreement.

Article 16 - GOVERNING LAW

Except so far as subject to the Act and the Shipping Act, 1916, as amended, this Agreement shall be construed, interpreted and governed by and in accordance with the laws of England. Any dispute arising under this Agreement shall be settled by arbitration in London. The party requesting arbitration shall serve upon the other parties a written demand for arbitration with the name and address of the arbitrator appointed by it, and such other parties shall within twenty days thereafter appoint an arbitrator. The two arbitrators so named shall appoint a third, and the decision or award of any two shall be final and binding upon the parties. Should the party upon whom the demand for arbitration is serviced fail or refuse to appoint an arbitrator within twenty days, the first moving party shall have the right without further notice to appoint a second arbitrator, who shall be a disinterested person, with precisely the same force and effect as if said second arbitrator had been appointed by the other party. In the event that the two arbitrators fail to appoint a third arbitrator within thirty days of the appointment of the second arbitrator, either arbitrator may apply to The London Maritime Arbitration Association for the appointment of a third arbitrator, and the appointment of such arbitrator on such application shall have precisely the same force and effect as if such arbitrator had been appointed by the two arbitrators. The arbitrators shall have the discretion to impose interest on the award and to impose the costs, including lawyers' fees, of the arbitration upon the closing party, or divide it between the parties on any terms which may appear just. Any decision or award rendered hereunder may be made and entered as a rule or judgment of any court, in any country, having jurisdiction.


Article 17 - EVENTS IN CASE OF TERMINATION

If this Agreement is cancelled in accordance with Article 10, notice of resignation or withdrawal from every conference, pooling or other agreement of which the Joint Service is a member or party shall also be given, so that such resignations or withdrawals shall become effective simultaneously, or as near thereto as possible, with the termination of this Agreement; provided, however, that this Agreement shall remain in full force and effect until all such resignations and withdrawals become effective. In the event of termination, the parties shall remain responsible,


in the proportion for which they are liable under this Agreement, for liabilities of the Joint Service.

EXECUTED as of the 8th day of July, 1987.


mitsui o.s.k. lines, ltd.

By: 
Donald B. Shafto
Attorney-in-Fact

nippon yusen kaisha/nyk

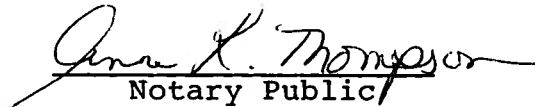
By: 
Donald B. Shafto
Attorney-in-Fact

the china navigation company
limited

By: 
Donald B. Shafto
Attorney-in-Fact

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 8th day of July, 1987 before me personally came Donald B. Shafto, to me known, who, being by me duly sworn, did depose and say that he resides at 677 Cherry Hill Road, Princeton, New Jersey 08540; that he is the Attorney-in-Fact of each of Mitsui O.S.K. Lines, Ltd., Nippon Yusen Kaisha/NYK and The China Navigation Company Limited, the corporations described in and which executed the above instrument; and that he signed his name thereto by order of the Board of Directors of each of said corporations.


Notary Public

ANN K. THOMPSON, Notary Public
State of New York No. 43-4098922
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Sept. 30, 1989